

SUMMARY ANALYSIS OF AMENDED BILL

Author: Briggs Analyst: Roger Lackey Bill Number: AB 983
Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 03-21-2002
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Enterprise Zones/City Council May Apply For Reconfiguration Of Geographic Boundaries

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

X July 9, 2001. STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would allow a city council to reconfigure the geographic boundaries of an existing enterprise zone (EZ).

SUMMARY OF AMENDMENT

The March 21, 2002, amendments deleted reference to the City of Fresno and the requirement that property zoned for industrial and commercial uses be given priority. Instead, the amendments added language allowing any city council to reconfigure the geographic boundaries of an existing EZ within that city's jurisdiction. The amendments also provided that to be eligible for reconfiguration the EZ be in a county with an unemployment rate 1.75 times the statewide average unemployment rate. The remainder of the department's analysis of the bill as amended July 9, 2001, still applies.

POSITION

Neutral.

On June 27, 2001, the Franchise Tax Board voted 2-0 to take a neutral position on this bill, with Annette Porini, on behalf of Member B. Timothy Gage, abstaining.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
<u>X</u> _____ N	_____ OUA	_____ PENDING

Legislative Director

Date

Brian Putler

04/11/02

ECONOMIC IMPACT

Revenue Estimate

This bill is estimated to impact revenue as shown in the following table.

Revenue Impact of AB 983 Reconfiguration After Enactment Date (\$ Millions)			
Fiscal Year	2002-03	2003-04	2004-05
	(0.5)	(1)	(1)

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

Revenue losses for reconfigured zones under the Personal Income and the Corporation tax laws would largely depend on the amount of qualifying property purchased subject to the sales tax, the amount of wages paid to qualifying employees, and the state tax liabilities of employers claiming these tax benefits.

This bill would result in additional revenue losses by allowing businesses currently not in an EZ to claim EZ tax benefits. A reconfiguration would not remove a business from an EZ.

There were 10 counties in 2001 with annual average unemployment rates that were 1.75 times higher (>9.30%) than the state average of 5.3%, the requirement of this bill to reconfigure an EZ. These ten counties contained a total of 12 EZs that would be eligible to be reconfigured. These 12 EZs had combined revenue losses of \$10.7 million in 1999. Based on discussions with the Technology Trade and Commerce Agency it was assumed that in 2002-3 half of the eligible EZs would be prepared to reconfigure and the other half by 2003-4.

LEGISLATIVE STAFF CONTACT

Roger Lackey
Franchise Tax Board
845-3627

Brian Putler
Franchise Tax Board
845-6333